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RUEHCI/AMCONSUL KOLKATA PRIORITY 3309  
RUEKJCS/SECDEF WASHDC PRIORITY  
RUCNDT/USMISSION USUN NEW YORK PRIORITY 2549  
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C O N F I D E N T I A L SECTION 01 OF 03 KATHMANDU 000667

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TAGS: [PGOV](#) [PTER](#) [PREL](#) [IN](#) [NP](#)

SUBJECT: KEY ALLIANCE LEADERS DIVIDED OVER INTERIM  
GOVERNMENT FORMATION

REF: KATHMANDU 647

Classified By: Ambassador James F. Moriarty. Reasons 1.4 (b/d).

Summary

1. (C) In meetings March 29 and March 30 with Communist Party of Nepal - United Marxist Leninist (UML) General Secretary MK Nepal and Nepali Congress-Democratic (NC-D) President Sher Bahadur Deuba, the two senior Seven-Party Alliance leaders expressed divergent views on the formation of an interim government. The NC-D leader expressed grave concern about the Maoists joining the interim government. In contrast, MK Nepal was open to the Maoists entering the government and dismissed concerns about their ability to impose their will on the state. He reported that the UML was holding out for position of Home Minister. The NC-D leader believed that the Government of India (GOI) was pressuring the Prime Minister to form an interim government before the South Asian Association for Regional Cooperation (SAARC) summit. This dramatic shift in the GOI's position regarding the Maoists remained unexplained. The UML was pushing for June elections and MK Nepal reported that he did not believe the Maoists would be able to intimidate a large majority of the population into voting for them. The NC-D leaders disagreed and believed that free and fair elections in June were not feasible.

Party Leaders Divided on Immediate Government Formation

2. (C) In a meeting March 29, UML General Secretary MK Nepal told the Ambassador that it was unlikely that a new government would be formed in the next days. The parties in the Seven-Party Alliance (SPA) had not reached agreement on who would hold the three most important ministries: Home, Defense and Finance. The UML wanted the Home Ministry and was unwilling to concede it to the Nepali Congress. MK Nepal also noted that the UML wanted Prime Minister Koirala to guarantee that Constituent Assembly elections would be held in June. With this guarantee the UML could be more flexible on the distribution of Ministries. In contrast, at a meeting March 30, NC-D President Sher Bahadur Deuba, as well as his top aides, Minendra Rijal and Prakash Mahat, told the Ambassador which parties would take the top three ministries

was not that important. The real issue for the NC-D was entry of the Maoists into government. The leaders implied, without so stating directly, that they were concerned the Prime Minister could cave under the pressure and bring the Maoists into government immediately.

#### NC-D Opposed to Maoist Entry

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13. (C) The NC-D leaders stated that Maoist entry into an interim government without the fulfillment of any of the preconditions set by the Prime Minister would set a dangerous precedent. Mahat noted, "The Maoists will gain authority and the Government will lose credibility." The Ambassador agreed that allowing Maoist entry into the government without meeting any of the Prime Minister's recent demands (storing all of their weapons, returning confiscated property and stopping extortion, violence and intimidation) would set a dangerous precedent and make it very difficult for any Home Minister to crack down on the Maoists.

#### UML Not Opposed to Maoist Entry Into an Interim Government

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14. (C) In contrast, MK Nepal told the Ambassador that he was not opposed to Maoist entry into the government. MK Nepal believed that the Maoists' bargaining power was eroding and that once they joined the Nepali government they would have no more excuses for their abuses. Once in the cabinet, the Maoists would confront their own limitations. He stated that the Maoists were in a period of transition and the SPA needed to find the proper way to deal with them. MK Nepal said he was not "pessimistic" and expressed a willingness to give the

KATHMANDU 00000667 002 OF 003

Maoists a chance to act properly. The Ambassador countered that he was worried about Maoist intentions and their willingness to use violence and extortion. These practices would keep Nepal unstable.

#### UML Waffles on Strong Home Ministry

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15. (C) MK Nepal skirted the Ambassador's question whether the UML had a candidate for Home Minister who could crack down on the Maoists, noting that all the parties faced the same dilemma. However, given the existence of the militant Maoist Young Communist League, MK Nepal stressed the Ministry could not go to the Maoists. He explained that a crackdown on Maoist behavior would require "team work," with all the parties supporting the Home Ministry. The Ambassador commented that after the Maoist entry into an interim government, anyone taking the Home Ministry position would have a very difficult time mobilizing the police. The police were demoralized and scared to use their authority and would be even more so if the Maoists came into the government without changing their behavior or respecting the law. MK Nepal had no response.

#### Indian Pressure Behind Push to Form Interim Government

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6.(C) Deuba and the other senior NC-D leaders stated that Prime Minister Koirala had many pretexts he could use to delay formation of an interim government. The most important was the failure of the Maoists to meet their obligations under the Comprehensive Peace Agreement. However, at present, the only influence of importance, they averred, was the Indian Government's. The NC-D leaders confirmed what the Prime Minister had told the Ambassador earlier on March 30, namely that the Prime Minister was under a great deal of pressure from the GOI to form a government immediately. Although the Indian Charge had told the Ambassador that it was unlikely an interim government would be put together before the SAARC summit (reftel), the NC-D leaders believed that the Prime Minister was under pressure to act before his

departure April 1. Deuba, expressed his astonishment at the depth of Indian involvement in the process. (Note: Deuba divulged that shortly after an eight-party meeting with the Prime Minister where there had been a debate over Maoist entry into the government, the Indian Ambassador to Nepal, Shiv Shankar Mukherjee, had called Deuba from New Delhi and urged him to support the Prime Minister in calling for early formation of an interim government. End Note.) The NC-D leaders requested U.S. assistance in pushing India to reconsider its support for immediate Maoist entry into government.

#### UML Insists on June Elections

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17. (C) MK Nepal reported that the UML was pushing for a June Constituent Assembly election. The UML General Secretary claimed there was much to lose if the election was delayed. First, the Prime Minister's health was poor. Second, the country needed the elections to move forward. MK believed that the constitutional drafting process would be difficult and a government needed to be elected in the meantime to begin work on development, jobs and income generation. MK Nepal stated that he did not believe that Maoist intimidation would dramatically affect the election outcome. He estimated it would have an impact in only one-third of Nepal's districts and would only garner the Maoists an additional 3 percent of the vote. He believed that only in very remote places were the people terrified enough to follow Maoist instruction. In those areas, the country would need a large number of election observers. He also believed the Nepal Army would be required to provide election security.

#### NC-D Concerned by Predictions of Troubled June Elections

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18. (C) The NC-D leaders stated that Maoist intimidation would have a much larger effect on the election than the UML

KATHMANDU 00000667 003 OF 003

General Secretary had predicted. They believed that many Nepali citizens would not be able to vote their consciences. Rijal reported that Peter Burleigh of the Carter Center, after a recent trip to the far west of the country, had concluded that fear still reigned in the countryside and that free and fair elections in June would be impossible. Deuba and the other NC-D leaders also expressed frustration with the United Nations. UN officials privately told the diplomatic community and party leadership that they thought a June election was not possible, but then failed to make the same the statement publicly.

#### Comment

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19. (C) Whether an interim government with Maoist participation will be formed prior to Prime Minister Koirala's April 1 departure for the SAARC Summit is unclear. The internal differences among the leading partners in the SPA and the Prime Minister's poor health, however, do not create many grounds for confidence. We hope that the Prime Minister will be able to resist the pressure he faces - at least until Maoist behavior changes. If the interim government is sworn in March 31 without any concessions by the Maoists, they will almost certainly push for a monopoly over state power and the question of a free and fair election may soon be moot.

MORIARTY